

Washington State
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NEWS FOR IMMEDIATE RELEASE

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**Two companies, 11 agents charged with selling millions
in illegal payphone investments**

OLYMPIA (2/19/02) - At least 100 Washington residents were sold more than \$3.9 million in unregistered securities issued by two Oregon companies, Alpha Telcom, Inc. ("Alpha") and American Telecommunications Company, Inc. ("ATC"), according to charges made by the Department of Financial Institutions' Securities Division.

The Division intends to fine the two companies up to \$500,000, and impose individual fines that could range from \$5,000 to \$65,000 against 11 Washington agents who allegedly sold the securities. They are: Kelley W. Abbott and Frederick Weatherbee, both of Spokane; Wilfrid Alvarez of Port Orchard; Jack Chandler of Edmonds; Daniel Curtin of Olympia; Thomas Durso of Bellevue; Fay L. Moyer of Omak; Glen Ottmar of Bellevue; Roy Grady and Hans Lorentzen, both of Bellingham; and Dirk Peterson of Bellevue.

The securities sold to Washington residents were offered by the Oregon-based corporations, Alpha and ATC, in the form of public telephones and telephone service agreements. Through independent sales agents, payphones were sold for \$4,000 or \$5,000 per unit, with Alpha and ATC contracting to service the payphones for investors. Investors were promised annual returns of at least 14 percent. All but two of the salespeople charged were present or former independent insurance agents who pitched the payphone offers as low-risk investments that could provide higher yields than traditionally more conservative investments such as certificates of deposit.

According to Securities Division Director Deborah Bortner, this action is part of a continuing effort by the Division to halt the sale of unregistered securities sold as coin-operated, customer-owned telephones, known as COCOTs. She said that this action is one of several cases the Division has handled in the past few years involving questionable or fraudulent investments such as COCOTs, viaticals, ATMs, and promissory notes being marketed to independent insurance agents by promoters with the promise of fat sales commissions.

“Promoters tell insurance agents that the investments are not securities, and therefore do not need to be registered,” Bortner said. “But the message we’re sending to investment promoters and their agents is, before you sell an investment in Washington state, check with us to see if it needs to be registered. We’re also sending a message to insurance agents telling them they must be licensed to sell securities before they solicit their clients for these and other investment products.”

The Statement of Charges alleges that the companies and agents offered and sold unregistered securities, misrepresented the securities, and failed to provide material disclosures to investors about the investment. Securities regulators in many other states have brought actions against Alpha and ATC, including Pennsylvania, North Carolina, Illinois, South Carolina, Wisconsin, Rhode Island, Florida, California, Ohio, Missouri, and Arkansas. None of these actions were disclosed to Washington investors.

Bortner warns investors to be vigilant in checking unusual investments they are offered. “If the investment isn’t listed on one of the national exchanges or the NASDAQ market, you should spend more time researching it, including making a call to the Securities Division,” she says.

Bortner offers five tips to protect yourself against insurance agents illegally offering investment products: 1) Ask whether the agent is licensed to sell the investment product and call the Securities Division to make sure. Only an agent with a securities license can sell securities. 2) Ask if the investment product is registered, then check with the Securities Division. 3) Find out if the agent has researched the investment completely. Trusting the promoter’s word isn’t enough when it concerns your money. 4) Be sure you get proper written information from the agent, such as a prospectus or offering circular, before you buy. 5) Demand that your agent explain the risks involved with the investment. If he or she tells you there are no risks, don’t believe it. There’s no such thing as a risk-free investment.

Washington’s Securities Division may be reached at 1-800-372-8303 (toll free in Washington) or you can visit them on the Web at www.dfi.wa.gov. Investors can also find out if the person offering the investment is licensed to sell securities in the State of Washington, and whether that person has any disciplinary history. The Statement of Charges may be viewed on the Securities Division Web site at <http://www.dfi.wa.gov/sd/SDO-009-02.pdf>.
